

Message Text

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DODE-00 EB-11 FRB-02 H-03 INR-10 INT-08 L-03 LAB-06

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TAGS: ETRD, GATT, IN

SUBJECT: INDIA ARTICLE XXVIII RENEGOTIATIONS

REFS: (A) NEW DELHI 14739, (B) GENEVA 6164

(C) STATE 206096, (D) GATT L/3831, (E) L/3874

1. MISSION REQUESTED TO INVITE GOI EXPEDITE INDIAN RESPONSE TO U.S. REQUEST LIST FORWARDED UNDER COVER REF C AND TO ASCERTAIN WHEN OFFICIAL GOI RESPONSE LIKELY. IN REMINDING INDIAN REP OF INDIA'S OBLIGATION UNDER TERMS OF WAIVER (REF D) THAT COMPENSATION NEGOTIATIONS BE COMPLETED BY JUNE 30, 1974, MISSION MAY NOTE U.S. DISAPPOINTMENT THAT NEARLY
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THREE MONTHS HAVE NOW ELAPSED WITHOUT GOI REPLY SINCE PRE-

SENTATION FORMAL U.S. REQUESTS.

2. ON QUESTION OF POSSIBLE ELIMINATION BY GOI OF COMMONWEALTH MARGINS OF PREFERENCE AS ARTICLE 28 COMPENSATION TO U.S., U.S. REP MAY INDICATE THAT SUCH ACTION BY GOI WOULD BE WELCOMED ON POLICY GROUNDS BUT THAT TRADE CLASSIFICATIONS IN WHICH ELIMINATION OF EXISTING PREFERENCES WOULD PROVIDE TRADE BENEFITS TO U.S. ARE VERY LIMITED IN BOTH NUMBER AND IMPORTANCE. ONLY THREE ITEMS ON U.S. REQUEST LIST RECEIVE PREFERENTIAL RATES AND PREFERENCE MARGINS ON THOSE ARE SMALL. IN TWO CASES (VOLTMETERS AND TESTING EQUIPMENT) RATES ARE MFN, 60 PERCENT AND UK PREFERENTIAL RATE, 50 PERCENT (INDIAN TARIFF NUMBERS 73 AND 77) AND IN THIRD CASE (PUMP PARTS)

MFN IS 100 PERCENT WHILE UK PREFERENTIAL RATE, 92 PERCENT (TARIFF NO. EX 75(2)). ONLY OTHER ITEM WE ABLE TO IDENTIFY WHERE ELIMINATION OF PREFERENCE MIGHT BE OF INTEREST TO U.S. IS CATEGORY OF IRON OR STEEL HOOPS AND STRIPS (INDIAN TARIFF NO. 63-14/14A) WHERE 10 PERCENT UK PREFERENCE ACCORDED ON 40-60 PERCENT MFN RATES.

3. IN GENERAL, WE SUPPORT GOI ELIMINATION OF HISTORICAL PREFERENCES ON WHICH WE WOULD EXPECT INDIAN THINKING TO BE CLOSELY ALIGNED WITH UNIFIED POSITION OF OPPOSITION TO REVERSE PREFERENCES ADOPTED BY YAOUNDE III COUNTRIES IN CURRENT NEGOTIATIONS WITH EC. WE ARE NOT PREPARED, HOWEVER, IN COURSE OF ARTICLE 28 RENEGOTIATIONS TO ACCEPT AGREEMENTS ON A PRINCIPLE, SUCH AS ENDING REVERSE PREFERENCES, AS COMPENSATION FOR IMPAIRMENT OF BINDINGS RESULTING FROM GOI TARIFF SCHEDULE CHANGES. IN TRADE CLASSIFICATIONS WHERE ELIMINATION OF PREFERENCES WOULD APPEAR TO BENEFIT U.S. TRADE, GOI OFFERS OF TARIFF REDUCTIONS (WHICH ALSO ELIMINATE PREFERENCES) COULD BE WEIGHTED MORE HEAVILY THAN OTHERWISE WOULD BE CASE. OVERALL, HOWEVER, IN ABSENCE OF CONVINCING STATISTICS AND ARGUMENTATION BY GOI THAT SIGNIFICANT U.S. TRADE INTERESTS AT STAKE IN EARLY GOI DECISION TO ELIMINATE SPECIFIC PREFERENCES, WE ANTICIPATE THAT THIS ISSUE WILL HAVE MODEST IMPACT ON ARTICLE 28 NEGOTIATIONS. MISSION MAY LIMITED OFFICIAL USE

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NOTE U.S. PUZZLEMENT THAT INDIA SHOULD PRESERVE ONE-SIDED PREFERENCES FOR UK (WHICH ARE INJURIOUS TO INDIAN ECONOMIC INTERESTS) IN HOPE OF USING THEM FOR TRADE BARGAINING. FROM U.S. POINT OF VIEW, INDIA WILL HAVE TO ELIMINATE REVERSE PREFERENCES BY JANUARY 1, 1976 IN ORDER TO ENJOY PROPOSED U.S. GSP BENEFITS.

4. FACT THAT NEW TARIFF LEVELS ON WHICH GOI OFFERING

REBINDINGS ARE TWO TO FOUR TIMES HIGHER THAN PREVIOUSLY
BOUND LEVELS LESSENS VALUE TO U.S. OF SUCH OFFER (SEE
REF B, PARA 3). WE WILL AWAIT GOI RESPONSE TO U.S.
REQUEST LIST BEFORE ATTEMPTING TO ASSESS RELATIVE
VALUE OF VARIOUS GOI CONCESSIONS NEEDED TO COMPLETE
ARTICLE 28 RENEGOTIATIONS.

5. MISSION SHOULD EMPHASIZE THAT USG WISHES ARTICLE 28
NEGOTIATIONS TO MOVE FORWARD ASAP AND THAT WE EXPECT

ALTERNATIVE OFFERS BY GOI IN EVENT U.S. REQUEST NOT
ACCEPTED AS BASIS FOR AGREEMENT. MISSION SHOULD
RECALL RECENT GATT BOP DISCUSSIONS OF GOI'S RESTRICTIVE
BOP REGIME AND URGE THAT THE GOI NOT ATTEMPT TO USE
ARTICLE 28 MEASURES TO FURTHER COMPLICATE AND RESTRICT
INDIAN TRADE PATTERNS. INSTEAD, INDIA MIGHT USEFULLY
SEE ARTICLE 28 NEGOTIATIONS AS OCCASION FOR EVIDENCING
ATTACHMENT TO BROADER GATT PRINCIPLES OF TRADE
LIBERALIZATION BY ASSURING THAT TRADING REGIME RESULTING
FROM NEGOTIATIONS IS NO MORE RESTRICTIVE THAN HERETOFORE.

6. MISSION SHOULD RESIST ANY ARGUMENT BY GOI THAT CURRENT
ECONOMIC SITUATION JUSTIFIES EITHER DELAY OR TOKEN
CONCESSIONS BY GOI IN CONCLUDING ARTICLE 28 RENEGOTIATIONS.
MISSION MAY POINT OUT THAT TRADE AND FINANCIAL CON-
SEQUENCES OF OIL SITUATION DEMAND AND ARE RECEIVING
PRIORITY INTERNATIONAL ATTENTION. AT SAME TIME, STRICT
OBSERVANCE OF GATT OBLIGATIONS TAKES ON ADDED
IMPORTANCE IN TERMS OF PRESERVING INTERNATIONAL TRADING
FRAMEWORK WHICH BEST SERVES ALL CP'S SHORT-TERM AND
LONG-TERM TRADING INTERESTS BY AVERTING COMPETITIVE
CONTRACTION OF INTERNATIONAL TRADE. KISSINGER

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